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FARMERS HOME ADMINISTRATION A Rural Credit Agency of the U.S. DEPARTMENT OF AGRICULTURE

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PROCUREMENT SECTION
CURRENT SERIAL RECORDS

BUSINESS AND INDUSTRIAL LOANS (B&I)



Improved quality of rural life is an end result of rural development. Upgrading of the economic environment will make a material contribution to better living, and this is the aim of the Farmers Home Administration (FmHA) program of loans to further business and industrial development. Business and Industrial loans may be made in any area outside the boundary of a city of 50,000 or more and its immediately adjacent urbanized areas with population density of more than 100 persons per square mile. Priority will be given to applications for projects in open country, rural communities, and towns of 25,000 and smaller. FmHA cooperates fully with other lenders.

Farmers Home Administration assistance ordinarily is provided as a loan guarantee whereby the agency contracts to reimburse the lender for not to exceed 90 percent of principal and interest. Lenders are responsible for making and servicing the loans. Applicants apply for the guarantee through their private lenders. In some special cases where a guaranteed loan is not available, FmHA may directly make and service the loan.

Applications will be considered without regard to the race, color, sex, creed, marital status, or national origin of the applicant or of individuals he may represent.

Who may borrow?

Any legal entity, including individuals, public and private organizations, and federally recognized Indian tribal groups.

How may loan funds be used?

The basic purposes include developing or financing business or industry, increasing employment, and controlling or abating pollution. Within this framework, uses include, but are not limited to:

1. Financing business and industrial construction, conversion, acquisition, and modernization.
2. Financing purchase and development of land, easements, equipment, facilities, leases, machinery, supplies, or materials, and custom feed lots.
3. Supplying working capital and funds for reasonable fees and charges.

What is the guarantee?

It is an assurance to protect the investor, and may cover up to 90 percent of the principal and interest of the guaranteed note. The guarantee fee will be 1 percent of the principal loan amount multiplied by the percent of guarantee, paid one time only at the time the loan note guarantee is issued.

Is collateral required?

Yes. It must be of such nature that, when considered with the integrity and ability of the project management, the soundness of the project, and the applicant's prospective earnings, repayment of the loan will be reasonably assured.

Must the applicant provide equity?

The applicant will be required to provide sufficient cash or other assets to provide reasonable assurance of a successful project. Ordinarily a minimum of 10 percent equity at loan closing will be required.

What is the repayment schedule?

Final maturity will not exceed:

1. 30 years for land, buildings, and permanent fixtures;
2. 15 years for machinery or equipment; or the life of the machinery or equipment, whichever is shorter;
3. 7 years for working capital.

Interest will be due at least annually after the loan is closed. All or any part of a loan may be repaid before it is due, without penalty.

What will the interest rate be?

For guaranteed loans, the interest rate may be fixed or variable and will be determined by the lender and the borrower, consistent with the market rate. The interest rate on loans made by Farmers Home Administration will be computed on cost of Treasury borrowing plus an increment to cover administrative costs; for public bodies borrowing to install community facilities necessary for community development, the rate will be 5 percent.

Revised June 1976